United Nations A/AC.109/2117

General Assembly

Distr.: General
1 June 1998

Original: English

Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples

United States Virgin Islands

Working paper prepared by the Secretariat

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I. General

1. The United States Virgin Islands[1] are located in the eastern part of the Caribbean Sea, approximately 1,000 miles south-east of Miami and 45 miles east of Puerto Rico. The Territory is made up of three main islands (St. Croix, St. John, and St. Thomas) and one small island (Water Island) recently transferred to the jurisdiction of the territorial Government. The capital, Charlotte Amalie, is located on St. Thomas. The population was estimated at 109,662 in 1996.

II. Constitutional and political developments

2. In May 1998, the Territory's lawmakers adopted a measure to make the Territory's attorney-general an elected rather than an appointed position.[2] The Governor and the United States Congress must approve the measure before it goes into effect. The legislature also decided to reduce its membership from 15 to 9, in order to make economies.[3] This measure must also be approved by the Governor and the United States Congress.

3. In late 1996, the first phase of the transfer of Water Island from the jurisdiction of the United States Department of the Interior to the United States Virgin Islands began, following several years of negotiations on the property's future.

III. Military installations

4. Information on the administering Power's military installations in the Territory and defence force affiliations between the Territory and the administering Power is provided in a previous working paper prepared by the Secretariat (A/AC.109/2076).

IV. Economic conditions

A. General

5. Gross Territorial Product (GTP) in 1996 was $1.34 billion, and per capita income was around $12,000. While unemployment increased in the first six months of 1997, a number of public works and private construction projects that began in 1997 were expected to add approximately 1,000 jobs to the economy.[4]

6. The territorial Government continues to pursue measures to diversify the economy, establish a solid revenue base and reduce its reliance on ad hoc disbursements from the administering Power. To this end, priorities have been to expand the tourism industry, attract small and medium-sized manufacturers and to develop a market for financial services.

B. Public finance

7. In mid-1998 the territorial Government was approximately $600 million in debt. The Territory owed about $130 million to the administering Power, much of it to the Federal Emergency Management Agency for repayment of loans following the hurricanes of 1995, which caused around $2 billion worth of damage. The Government was also in arrears in paying vendors, workers and personal income tax refunds. At the end of the 1997 fiscal year (September) the Government owed over $70 million in tax refunds and was $27 million short of its regular spending on government services.[5]

C. Agriculture, livestock and fisheries

8. A number of local and federal programmes provide assistance for agricultural development. Under an agreement with the United States Department of Agriculture, a Rural Development Loan Fund provides direct loans up to $99,500. The Small Business Development Agency provides direct loans of up to $10,000 for licensed farmers and fishermen. The Farmers Home Administration guarantees up to 90 per cent of bank loans for land, equipment, buildings and operating expenses.

9. During 1997, semen and embryos of the Senepol breed of cattle, developed on St. Croix, were exported to Australia and Paraguay. Sorghum, fruit and vegetables (including hydroponically-grown lettuce), the main products of the Territory's small agricultural sector, were grown for home consumption.

D. Industry

10. Manufacturing incentives are provided by a trade regime which confers unique advantages on the United States Virgin Islands. Items assembled in the Territory can be exported duty free into the United States, even if up to 70 per cent of its value consists of foreign dutiable components.

Other incentives include 90 per cent exemption from local corporate income taxes for 10 to 15 years for new manufacturers. Goods manufactured for export include watches, textiles, electronics, pharmaceuticals and rum. Over 30 large corporations have set up manufacturing operations in the Territory and industrial parks are under construction.

11. The industrial sector is dominated by the Hess Oil Refinery (St. Croix), one of the largest in the Western hemisphere, which employs 2,000 workers. Over the past seven years, the refinery has accumulated $1.1 billion in losses. The refinery currently operates at 400,000 barrels per day, 55 per cent of its capacity of 728,000 barrels per day. In May 1998, legislators of the United States Virgin Islands approved a $625 million joint venture between Hess Oil Virgin Islands and Petróleos de Venezuela S.A. The deal must be approved by the Governor and the United States Congress before it comes into effect. The state-owned Venezuelan company has agreed to pay $625 million for a 50 per cent stake in the facility. Under the joint venture, a $550 million deep-conversion "coker" will be built to process Venezuelan crude oil. This expansion is expected to create 1,500 construction jobs and will raise the property taxes of the refinery from the current $12 million to $14 million per year. The owner has said that he would close the refinery if the deal with Venezuela was not approved.[6]

12. A second major industrial facility is a rum distillery; excise taxes from United States Virgin Islands rum exported to the United States generates 15 per cent of the Territory's revenues. In 1997, a Spanish firm opened a micro-brewery in St. Croix. The brewery is expanding in order to cater to tourists, and there are plans to open a restaurant, bar, rum museum and a theatre.

E. Banking and insurance

13. United States banking legislation applies in the Territory. Further information on this sector is provided in a previous working paper prepared by the Secretariat (A/AC.109/2076).

F. Trade

14. The Territory is exempt from the Jones Act, which requires that freight moving between United States ports be carried by United States-flagged ships. The island benefits from other favourable trade concessions (see para. 10 above) as part of its relationship with the administering Power.

G. Tourism

15. The tourism sector accounts for more than 60 per cent of GTP and employs around two thirds of the workforce. A Tourism Development Trust Fund has been created and will provide about $20 million for investments in gaming hotels. It is also expected to provide capital for malls, golf courses and trans-shipment facilities. For the first seven months of 1997, the number of cruise ship passengers travelling to the islands totalled 1 million (a 23 per cent increase from the same period in 1996). The largest resort complex in the Territory, Marriott's Frenchman's Reef, closed from April to December of 1997 for remodelling, repairs and expansion. The charter yacht industry earned $30 million in 1995. Industry experts maintain that there is a potential for earnings of $120 million. Experts also point to a large potential market in provisioning cruise ships where the Territory has a particular advantage, since ships do not have to pay longshoreman charges there (in 1995, the industry spent $77 million on Caribbean-supplied consumer goods).

16. In 1995, casino gambling was legalized in St. Croix, following a citizen's poll. Legislation permitting casino gambling is expected to increase the attraction of the islands to tourists. The Casino Control Commission reduced licensing and renewal fees to encourage the development of gaming hotels. A $37.4 million casino hotel, the Crowne Plaza Hotel and Casino, is now under construction.

H. Transportation, communication and basic facilities

17. The Islands have five major docking facilities. South Shore (St. Croix) is located near the St. Croix airport and industrial park, and handles lift-on/lift-off and roll-on/roll-off vessels. Gallows Bay (St. Croix) has a combined berthing space of 700 feet and a small roll-on/roll-off ramp. Frederiksted's (St. Croix) 5,216-foot port can berth two large cruise ships and two mini-cruise ships simultaneously and can accommodate naval submarines. Crown Bay (St. Thomas) has three cruise ship docks operated by the Virgin Island Port Authority, as well as a 900-foot wharf which can accommodate roll-on/roll-off cargo and container and break bulk operations. The West Indian Company bulkhead pier (St. Thomas) is privately operated, primarily for cruise ships. Two international airports, Cyril E. King Airport on St. Thomas and Alexander Hamilton Airport on St. Croix, are operated by the Port Authority. They have a combined annual passenger traffic count of over 2 million.

18. Electricity is thermally generated using imported fuels. The Water and Power Authority serves approximately 47,000 customers. Major generating facilities are located on St. Thomas and St. Croix, and a standby facility is located on St. John. Due to limited freshwater supplies, salt water is used extensively for non-domestic purposes, including firefighting and sewerage. The Water and Power Authority desalinates water and collects rainwater for domestic use. Wells, particularly on St. Croix, supply the remainder of the freshwater necessary.

19. Public works projects undertaken in 1997 include an $8.7 million wastewater plant on St. John, $3.7 million to pave roads on St. John and St. Thomas, and guardrail installation and culvert repair on the Melvin Evans Highway. Finally, the United States Federal Emergency Management Agency disbursed $30 million in 1997 to repair roofs destroyed in 1995's Hurricane Marilyn.

V. Social conditions

A. Labour

20. Mid-1997 figures put unemployment at slightly under 6 per cent.[7] Employers must follow United States Federal and United States Virgin Islands labour laws, such as minimum wage and hours, standards of safety and occupational health, and payment of social security and unemployment insurance.

B. Public health

21. The hospital in St. Thomas offers general service and has 157 beds. The hospital in St. Croix has 120 beds. There is also a 16-bed private hospital in St. Croix. Overall responsibility for the hospitals is held by the Department of Health.

C. Crime and crime prevention

22. The police force is administered by the Virgin Islands Government Department of Police. An Adult Correctional Facility is located on St. Croix. By United States standards, the United States Virgin Islands has one of the highest per capita murder rates.

D. Educational conditions

23. Education is compulsory and free for all children between 5½ to 16 years of age. There are 35 public schools. School enrolment for kindergarten up to the twelfth grade is estimated at 30,000. The University of the Virgin Islands has campuses on St. Thomas and St. Croix and provides courses in business administration, the humanities, social sciences and teacher education, and occupational courses in accounting, business management, secretarial administration, nursing, police science and administration.

VI. Future political status of the Territory

24. No significant action on the political status of the Territory has been taken since a referendum was held in 1993. In that ballot, 80.3 per cent of voters supported the existing status, 14.2 per cent voted for full integration with the United States, and 4.8 per cent voted for an end to United States sovereignty. Only 27.4 per cent of registered voters voted on the question, while the requirement for the referendum to be considered valid was 50 per cent.

A. Position of the territorial Government

25. At the fifty-second session of the General Assembly, the petitioner from the territorial Government noted that the current dependency arrangements between the Territory and the administering Power did not provide sufficient autonomy or equality for the removal of those Territories from the United Nations list of dependent territories. He further noted that the fact that the remaining small island Territories had not expressed a preference for immediate independence did not mean that their current arrangement was, by definition, self-governing.

26. Further information regarding the 1993 referendum on federal status and the future political status of the Territory can be found in previous working papers of the Secretariat (A/AC.109/1183, paras. 15 and 16, and A/AC.109/2014, para. 61).

B. Position of the administering Power

27. During deliberations of the fifty-second session of the General Assembly, the administering Power recognized progress towards self-government in its Territories. It also

recognized that self-determination could not be reduced solely to the concept of full independence, but included a broader range of acceptable options, as long as these were the result of a free and informed choice by the people affected.

28. Further information concerning the position of the United States on the future status of the Territories it administers is contained in a previous working paper prepared by the Secretariat (A/AC.109/2047, para. 39).

C. Action by the General Assembly

29. On 10 December 1997, the General Assembly adopted, without a vote, resolution 52/77 B, section XII of which concerns the United States Virgin Islands. In the resolution, the General Assembly, *inter alia*, welcomed the conclusion of the discussion between the Government of the Territory and the administering Power on the question of Water Island (see para. 3 above).

Notes

[1] The information contained in the present working paper was derived from published sources.

[2] AP, 6 May 1998.

[3] Ibid.

[4] *Virgin Islands Daily News*, 28 August 1977.

[5] Ibid., 4 September 1997.

[6] *Oil and Gas Journal*, 2 March 1998.

[7] *Virgin Islands Daily News*, 28 August 1997.